

Table A

SBC Runaway Frame Pricing Retail/Wholesale 3-year Term			
Criteria: Must be at least 60% in-region/in-franchise, 40% out-of-region			
Scenario 1			
SBC Frame Relay Access Link and Port*	Quantity	Price	Total
128K Port & Access	80	308	\$24,640
32K Local PVC	16	5	\$80
32K Long Haul PVC	64	83	\$5,312
1.536M Port & Access	1	540	\$540
Total before discount			\$30,572
Runaway Frame Discount @20%			\$24,458
Pricing Net of VIP Discount @13%			\$21,278
Scenario 2			
SBC Frame Relay DS3 Port and Access *	Quantity	Price	Total
128K Port & Access	100	308	\$ 30,800.00
32K Local PVC	20	5	\$ 100.00
32K Long Haul PVC	80	83	\$ 6,640.00
DS3 Port & Access	2	4210	\$ 8,420.00
Total before discount			\$ 45,960.00
Runaway Frame Discount @20%			\$ 38,452.00
Pricing Net of VIP Discount @13%			\$ 33,453.24

*32K CIR PVCs (25% of 128K port speed) chosen for comparison, since a typical network configuration will have PVCs at 25% to 50% of port speed.

[BEGIN REDACTED]

[END REDACTED]

Response to CLEC Claims Regarding Special Access Service Levels

44. The CLECs also claim that ILECs have been required to adopt performance measures for UNEs, but not for special access. Although the CLECs recognize that special access services are subject to service level agreements (SLAs) with self-effectuating service quality penalties, they claim that the SLAs are inadequate because they are allegedly available only to carriers that agree to terms that limit a customer's ability to use non-SBC services. These claims are incorrect for several reasons.
45. First, SBC's competitors compete as aggressively on service quality, as they do on price. According to the August 2002 New Paradigm study, nearly all carriers provide formal SLAs. Their SLAs typically offer credits for network availability, and can also offer credits for other measures, such as installation intervals, latency and packet delivery. These competitors tout network reliability up to 99.9999 percent ("six nines"), and many of our customers come to the bargaining table demanding the SBC offer comparable reliability. Thus, the market itself is more than capable of enforcing fair and reasonable SLAs, and it is in fact doing so today.
46. Second, as has already been discussed, SBC's term plans do not prevent its customers from providing their own facilities or from using third-party facilities. Claims to the contrary with respect to MVP, ignore other discount options and flatly misrepresent the terms of the MVP arrangements.
47. I would further note that SBC makes available performance data pursuant to its 272 obligations. These data demonstrate that SBC is providing unaffiliated carriers with the same level of service as affiliate companies.

Private Commercial Discussions

48. Some CLECs have claimed that SBC ceased offering meaningful negotiating sessions after the D.C. Circuit's decision in *USTA II*. In fact, quite the opposite is true. SBC saw *USTA II* as an opportunity, once and for all, to move the industry to a framework based on commercial negotiations, not regulation, and it *accelerated* its efforts to reach commercial agreements. SBC repeatedly has affirmed—to the Commission and to the industry—its commitment to private commercial negotiations for UNE replacement products, including high capacity loops and transport. And SBC has followed through on its commitments. SBC has engaged CLECs to determine their needs as to commercial UNE replacement products; SBC has put in place personnel and processes for private commercial negotiations with CLECs; SBC has created specific proposals tailored to meet the needs of individual CLEC business plans as well general proposals to use as starting points for discussions with CLECs; and SBC has been and continues to be engaged in private commercial negotiations for high capacity loops and transport products. In short, SBC remains committed to private commercial negotiations for high capacity loops and transport.

History of Loop and Transport Commercial Negotiations

49. SBC has been working with carriers in commercial negotiations for years. It was not until April 2004 however that any of those negotiations resulted in a UNE-P replacement agreement. Following the DC Circuit Court decision on March 2, 2004, SBC wanted to demonstrate its commitment to commercial negotiations. Thus, on March 3, 2004, the day after the D.C. Circuit issued its *USTA II* decision, SBC Chairman, Ed Whitacre, sent a letter to several leading competitors who rely on UNE-P. In that letter, Mr. Whitacre assured its competitors, "SBC values your wholesale business and wants to keep you and your local

UNE-P customers on the SBC network.” To that end, Mr. Whitacre offered to engage CLECs in “direct, one-on-one talks between your company and ours to negotiate commercially reasonable pricing for SBC’s UNE product.” In addition to Mr. Whitacre’s letter, that same day SBC also issued an accessible letter to all CLECs. In that accessible letter, SBC announced that it was

. . . prepared, without prejudice to any party's legal positions, to continue to offer you your mass market UNE-P serving arrangements at PUC-approved rates for the next 90 days. During that 90 day period, SBC will negotiate with you an orderly transition from your existing interconnection agreement to a private commercial arrangement that would enable you to continue to receive the UNE-P based upon a mutually acceptable market-based rate. Under this proposal, SBC is prepared to negotiate a multi-state agreement. This proposal will provide you with the certainty of a multi-state, multi-year commercial agreement that includes the continued availability of the UNE-P at mutually agreeable market-based rates.

50. To facilitate commercial negotiations as described in the accessible letter, SBC formed a dedicated team of negotiators to focus solely on private commercial agreements with CLECs, including agreements for high capacity loops and transport.
51. These initial private commercial agreement discussions with CLECs were primarily focused on two issues, both reflecting SBC’s commitment to negotiate private commercial agreements to meet the needs of its customers. First, the parties negotiated the terms of non-disclosure agreements (“NDAs”) to govern their discussions. Second, under the protection of the NDAs, the parties generally discussed the business plans and needs of SBC’s customers in order to determine how SBC could design commercial offerings and agreements to best meet those needs. As discussed above, most of these early discussions focused on SBC Local Wholesale Complete, SBC’s new offering of a commercial replacement for UNE-P.

52. On March 31, 2004, the Commissioners declared their unanimous judgment that the interests of consumers will best be served by incumbent carriers and CLECs engaging in good-faith negotiations to arrive at commercially acceptable arrangements that would provide a substitute for unbundled network elements. The Commissioners urged all carriers to use “all means at their disposal” to “maximize” the success of such efforts. Shortly after the Commissioners’ call for commercial negotiations, on April 3, 2004, SBC and Sage announced that they had successfully negotiated a seven-year agreement to replace the regulatory mandated UNE-P. In that announcement, Mr. Whitacre reiterated: “There is no reason in the world why we can't reach agreement with any other company that is equally willing to negotiate commercially reasonable terms.” On April 6, 2004, Chairman Whitacre again publicly confirmed SBC’s commitment to commercial negotiations. In response to their March 31st letter, Mr. Whitacre informed the Commissioners that SBC supported their “proposal that the industry engage in commercial negotiations designed to restore certainty and promote genuine competition in the telecommunications market.”
53. On April 20, 2004, in response to a letter from Comptel/ASCENT, SBC again confirmed its commitment to commercial negotiations. SBC indicated that the focus of its commercial negotiations to date had “involved replacements for switching in combination with other elements in what has become known as the UNE-P.” SBC explained that “This is because the availability of the functionality of most, if not all, other invalidated unbundled elements will not be affected by the [D.C. Circuit’s] order.” Thus, for elements such as high capacity loops and transport, SBC explained, “Those functionalities generally have continuously been offered in one form or another for more than 20 years in access tariffs and will continue to remain available for the foreseeable future under those regulated offerings.”

But even as to high capacity loops and transport, SBC reiterated its commitment “to negotiate volume, term and other discounts within the parameters pricing flexibility afforded for its regulated access service offerings.”

54. On May 6, 2004, SBC, in another accessible letter to all CLECs, SBC repeated “its willingness to negotiate private commercial agreements based on individual customers’ needs.” SBC made clear that its commitment applied not only to UNE-P, but all UNE products.

Specifically, SBC remains willing to negotiate private commercial agreements across the entire spectrum of its wholesale relationships with its CLEC customers—including short-term relationships for products facilitating transition from UNE-based business models to facilities-based business models, as well as longer term relationships that would include commercial replacements for the UNE-P, and any relationship in between. SBC will negotiate rates, terms, and conditions for wholesale relationships commensurate with the specific products, duration and volumes requested by our wholesale customers. As in any commercial negotiation, customers willing to make greater commitments to use SBC products and network facilities (including through the use of a UNE-P replacement and the use of unbundled loops provided on commercially reasonable terms) can expect to receive greater commitments from SBC. SBC nevertheless also will negotiate commercial arrangements with firms that desire to maintain the maximum amount of flexibility for their future business plans, including where those customers plan to deploy their own facilities or use the facilities of the many other alternate providers that exist in the marketplace.

55. SBC also made clear in that letter that SBC’s initial commercial agreement proposals to CLECs are not “take it or leave it” offers.

When SBC presents an initial offer to a CLEC customer at the outset of a negotiation, that offer reflects SBC’s understanding of the customer’s business needs and plans as well as our own. These offers do not include “ultimatums” and are not “take-it-or-leave-it” offers. On the contrary, to the extent SBC’s offer does not meet the needs of our CLEC customers, we hope and expect that offer will trigger candid, good faith negotiations in which both parties attempt to find common ground. SBC is fully committed to the commercial negotiation process, and we encourage our

CLEC customers to contact us if they are interested in entering into such good faith commercial negotiations.

56. Sometime around mid-April, SBC's commercial discussions with CLECs began to include the topic of high capacity loops and transport in addition to the Local Wholesale Complete UNE-P replacement product. In particular, several of the larger facilities-based CLECs, had indicated specific needs as to commercial agreements for high capacity loops and transport. As a result, SBC developed customer specific proposals to address the specific needs of individual CLECs for high capacity loops and transport. Each of these proposals was created pursuant to SBC's special access pricing flexibility for high capacity loops and transport.
57. SBC made its first proposal to a CLEC specifically for high capacity loops and transport on May 21, 2004. That proposal was tailored specifically to accommodate and be responsive to each particular CLEC's business needs and operations as communicated by that CLEC in initial discussions with SBC. Since May 21st, SBC has provided individually tailored offers for high capacity loop and transport to six other CLECs.
58. SBC's negotiations with one such CLEC illustrate SBC's efforts to come up with innovative solutions tailored to meet the specific needs of its wholesale loop and transport customers. Under the protection of an NDA, the CLEC provided SBC with the CLEC's five-year marketing plan and business forecast. Based on that information, and information as to the CLEC's embedded base, SBC forecasted the total expense that CLEC would pay SBC over five years for high capacity loops and transport at current UNE rates. SBC's initial loop and transport offer was a five year contract that combined a discounted special access offer along with a plan for network optimization. Specifically, SBC proposed a "hub network architecture" that would optimize the CLEC's use of high capacity facilities by

reducing the use, and thus cost, of collocation and by aggregating traffic from distant wire centers to higher capacity transport facilities rather than reaching each customer through a dedicated DS1 EEL. As a result of this proposal, SBC was able to assure the CLEC that it could implement its five year business plan with just an estimated 9% increase over its overall costs of using high capacity loops and transport at current UNE prices.

59. In subsequent discussions, the CLEC indicated its interest in a different term commitment. SBC agreed to consider different pricing in return for a different term. In response to the CLEC's counterproposal, SBC provided "preliminary feedback" that, although SBC generally remained willing to consider different pricing in return for a different term commitments, SBC was uninterested in entering into an agreement that maintains status quo TELRIC pricing for the term suggested by the CLEC. SBC also specifically told the CLEC that SBC was interested in further discussions concerning the special access hub architecture that SBC had proposed, which SBC believes "provides significant advantages which have yet to be fully explored." SBC invited the CLEC to continue discussions concerning a loop and transport offering. Specifically, SBC invited the CLEC to further discuss "seven year access pricing and the associated value of our hub network architecture proposal." That information was conveyed to the CLEC in June, but, to date, the CLEC has not responded to SBC or otherwise indicated any further interest in continuing discussions. Overall, SBC spent over two and a half months trying to negotiate a commercial agreement with the CLEC.
60. In addition to creating proposals tailored to the specific business plans of individual CLECs, SBC developed a general high capacity loop and transport offer as a starting point for discussions with other, typically smaller, CLECs. SBC's proposal is for a five year

period and includes the ability to convert existing DS1 and DS3 loops and transport to discounted special access equivalents. Early offers provided for a 5 year term for all of the services ordered under the agreement. However, in response to CLEC discussions, SBC also included in its initial offer the ability to order individual circuits on a month to month, 1 year, 3 year or 5 year term basis. The discounts applied under this offer would vary based on the term selected. SBC's offer also provides CLECs the ability to add new services at the same discounts up to a specified cap and also includes the ability to convert analog UNE loops to special access in order to increase the overall applied discount. As with SBC's individual offers tailored to specific CLEC business plans, SBC's more general high capacity loop and transport offer is not a "take it or leave it offer." All of the terms and conditions of SBC's offer are subject to negotiation, and, as SBC said in its May 6, 2004, Accessible Letter, SBC hopes that its offer will trigger candid, good faith negotiations in which both parties attempt to find common ground.

61. On July 30, 2004, SBC sent out its general high capacity loop and transport proposal to approximately 35 carriers, representing midsize to smaller CLEC's. Thus, in total, SBC has presented high capacity loop and transport offers to 42 CLECs. As of this date, 31 CLECs have either not responded at all to SBC's offer or have responded but have not engaged in negotiations. Four CLECs have engaged in negotiations, but, after initial discussions, have failed to indicate any interest in continuing to negotiate. In particular, those carriers appear uninterested in negotiating commercial agreements because they are waiting to see if the Commission will continue to make available high capacity loop and transport UNEs at TELRIC pricing and pursuant to relaxed EELs restrictions. Three CLECs have responded to SBC's offers with counter-proposals so unreasonable (*e.g.*, one CLEC proposed to

purchase special access circuits at rates below current TELRIC rates for equivalent UNE high capacity loops and transport), that SBC considers those negotiations at an impasse. In short, the vast majority of CLECs (38 out of 42) have either ignored SBC's offer of commercial negotiations for high capacity loops and transport, or chosen not to treat such negotiations seriously.

62. Despite the overall lack of CLEC response to SBC's offers of commercial negotiations, SBC remains firmly committed to private commercial negotiations for high capacity loops and transport products. Even when CLECs have failed to respond to SBC's offer of commercial negotiations, SBC has issued follow up inquiries. And when CLECs have responded, SBC has engaged in multiple rounds of discussion. Overall, SBC estimates that it has engaged in over 200 separate discussions with carriers, nearly 75 of which have been specific to high capacity loops and transport. As of this date, SBC continues to remain actively engaged in commercial negotiations with four CLECs for high capacity loops and transport products.

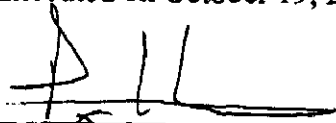
Conclusion

63. The facts are that the special access market is competitive. In fact, other carriers service a greater percentage of the market than SBC for some services. SBC provides over 90% of its special access on a wholesale basis. Competition has lead to aggressive pricing by SBC that has resulted in the average DS1 rate declining by 11% over the past three years. SBC has already developed over 90 price flex plans to meet the needs of carriers and is currently working on 60 more offerings. In addition, SBC's most popular discount plan, the Managed Value Plan, has provided carriers with DS1 price decreases of 14% over the three years. Carriers are free under any of SBC's price flex plans to purchase services from

another carrier or build their own facilities. It is the CLECs that make these decisions, not SBC.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Executed on October 19, 2004.

A handwritten signature in black ink, appearing to be 'P. Casto', written over a horizontal line.

Parley C. Casto



March 3, 2004

Edward E. Whitacre Jr.
Chairman and
Chief Executive Officer

SBC Communications Inc.
175 E. Houston Street
San Antonio, Texas 78205
210.351.5400 Phone

Mr. David W. Dorman
Chairman & CEO
AT&T
One AT&T Way
Bedminster, NJ 07921-0752

Dear Dave:

Yesterday was a watershed event for our industry, as the DC Circuit Court of Appeals vacated much of the FCC's unbundling regulations, including that part of the rules related to mass-market switching and the UNE-P in particular. However, SBC values your wholesale business and wants to keep you and your local UNE-P customers on the SBC network.

To this end, SBC extends an offer of direct, one-on-one talks between your company and ours to negotiate commercially reasonable pricing for SBC's UNE-P product. Negotiating such a private commercial contractual arrangement would enable you to obtain a configuration similar to the existing UNE-P but with certainty of price and availability under a multi-year arrangement at mutually acceptable prices.

While we may disagree on our respective legal rights, SBC is prepared, without prejudice to any party's legal positions, to continue to offer you your mass market UNE-P serving arrangements at PUC-approved rates for the next 90 days. During that 90-day period, SBC will negotiate with you an orderly transition from your existing interconnection agreement to a private commercial arrangement that would enable you to continue to receive the UNE-P based upon a mutually acceptable market-based rate.

This will afford you the opportunity to continue serving your customers while obtaining certainty in your business relationship with SBC, separate and apart from our existing interconnection agreements and outside the regulatory process under FTA sections 251 and 252, and without the continued disputes and uncertainty.

Neither of our companies stands to benefit from continued uncertainty in the industry. SBC's offer of private negotiations would enable you to provide certainty for your business operations and, more importantly, allow your company to continue serving its customers in a fully competitive marketplace. It is up to all of us to close this long, costly and debilitating chapter in our industry's history. Telecommunications is a great industry and it can once again be an engine of growth, investment and innovation.

SBC stands ready to work with you to open this new chapter for our industry, and we will contact your company to begin this new era next week. On behalf of consumers everywhere, we look forward to working with you.

Sincerely,

A handwritten signature in cursive script that reads "Ed Whitacre".



Accessible

Date: **March 3, 2004**

Number: **CLECALL04-037**

Effective Date: **March 3, 2004**

Category: **UNE-P**

Subject: **(OTHER) Commercial Negotiation Offer**

Related Letters: **N/A**

Attachment: **N/A**

States Impacted: **13-States**

Issuing SBC ILECS: **SBC Illinois, SBC Indiana, SBC Ohio, SBC Michigan, SBC Wisconsin, SBC California, SBC Nevada, SBC Arkansas, SBC Kansas, SBC Missouri, SBC Oklahoma, SBC Texas and The Southern New England Telephone Company**

Response Deadline: **N/A**

Contact: **Account Manager**

Conference Call/Meeting: **N/A**

As you know, on March 2, 2004, the D.C. Circuit, U.S. Court of Appeals released its opinion on the appeal from the Triennial Review Order. Significantly, the court vacated the FCC's nationwide impairment determination with respect to mass market switching. Absent a rehearing or a grant of certiorari by the U.S. Supreme Court resulting in a different decision, the effect of the court's decision is the ultimate elimination of a legal requirement that we provide the UNE-P at TELRIC prices.

Notwithstanding this decision and whatever rights that we both may have under existing interconnection agreements, SBC stands ready to work with you to develop a viable solution to ensure that none of your customers' service is disrupted on account of this decision. Specifically, while we may disagree on our respective legal rights in the interim, SBC is prepared, without prejudice to any party's legal positions, to continue to offer you your mass market UNE-P serving arrangements at PUC-approved rates for the next 90 days. During that 90 day period, SBC will negotiate with you an orderly transition from your existing interconnection agreement to a private commercial arrangement that would enable you to continue to receive the UNE-P based upon a mutually acceptable market-based rate. Under this proposal, SBC is prepared to negotiate a multi-state agreement.

This proposal will provide you with the certainty of a multi-state, multi-year commercial agreement that includes the continued availability of the UNE-P at mutually agreeable market-based rates. Please contact your SBC account manager if you desire to negotiate such an agreement.



Federal Communications Commission
Washington, D.C. 20554

March 31, 2004

Edward Whitacre
Chairman & CEO
SBC Communications
175 East Houston Street
Room 1300
San Antonio, TX 78205

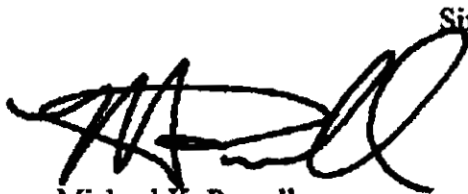
Dear Mr. Whitacre:

We write to urge your participation in a serious effort to reach mutually acceptable terms for offering unbundled network elements. Ongoing litigation has unsettled the market. We call upon the telecommunications industry to begin a period of commercial negotiations designed to restore certainty and preserve competition in the telecommunications market. We have asked telecommunications carriers to engage in a period of good faith negotiations to arrive at commercially acceptable arrangements for the availability of unbundled network elements. We trust the parties to utilize all means at their disposal, including the selection of a third-party mediator, to maximize the success of this effort. For our part, we intend to petition the D.C. Circuit for a 45-day extension of the stay of the court's mandate vacating the Commission's rules. We likewise will request that the Solicitor General seek a comparable extension of the deadline for filing a petition for certiorari. We seek your support in these two matters.

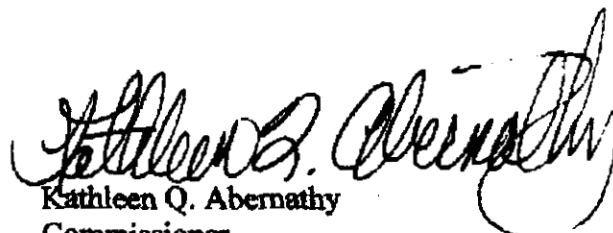
The express, limited purpose of these requests is to allow negotiations to take place and for the parties to reach commercial agreements. The Communications Act emphasizes the role of commercial negotiations as a tool in shaping a competitive communications marketplace. After years of litigation and uncertainty, such agreements are needed now more than ever. In the past, the Commission has been divided on these issues. Today, we come together with one voice to send a clear and unequivocal signal that the best interests of consumers are served by negotiation. We call on all sides to commit to working in good faith toward a prompt resolution.

We urge you to participate fully in this important effort. Please indicate to us by Tuesday, April 6 whether your company or organization will participate and will support a stay of the court's mandate. In the end, we trust you share our view that America's telephone consumers are served best by ending this uncertainty and getting back to business. America's telephone consumers will be served by successfully negotiated agreements.

Sincerely,



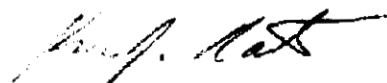
Michael K. Powell
Chairman



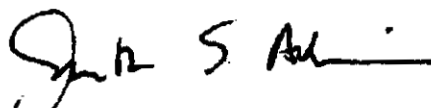
Kathleen Q. Abernathy
Commissioner



Michael J. Copps
Commissioner



Kevin J. Martin
Commissioner



Jonathan S. Adelstein
Commissioner



corporate

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SBC, Sage Telecom Reach Wholesale Telecom Services Agreement

Nation's First Commercially Negotiated Agreement Ensures Healthy Phone Competition

San Antonio, Texas, April 3, 2004

SBC Communications and Sage Telecom today announced they have reached an historic commercial agreement for SBC to provide wholesale local phone services to Sage covering comprising SBC's local phone territory. The agreement also contains provisions relating to internet services.

Sage Telecom is the third-largest competitive local exchange carrier in SBC's territory, serving more than one-half million local service customers.

This is the first such agreement between a Bell operating company and a local competitor in over 10 weeks since a federal court overturned wholesale rules imposed by the FCC late last year.

"This proves that when two companies are sincere about negotiating terms that are mutual and fair, it can be done quickly and smoothly," said Edward E. Whitacre Jr., Chairman and CEO of SBC.

"The real winners here are the customers of both companies, who will continue to benefit from the local service provider," said Whitacre. "This demonstrates that the telecom marketplace can be a place of healthy competition."

Dennis M. Houlihan, Sage Telecom CEO, said, "Taking care of customers is our number one priority. We are proud to have achieved a commercially reasonable agreement that enables us to do so on that priority."

The seven-year pact will replace the regulatory mandated UNE-P with a private commercial agreement. Given the proprietary nature of the agreement, most terms were not released, but the average price over the life of the contract is expected to be below \$25.00 per line.

SBC has offered to negotiate comparable terms and conditions with any similarly-situated competitive local exchange carrier.

This historic agreement comes on the heels of a move by the Federal Communications Commission to encourage telecom companies to negotiate commercially reasonable wholesale agreements with themselves.

"There is no reason in the world why we can't reach agreement with any other company that is willing to negotiate commercially reasonable terms," said Whitacre, who added that the company has discussions now with numerous other wholesale carriers.

"We hope to achieve similar wholesale agreements with other local phone companies as we move forward in our business," added Houlihan. "Such an approach provides the certainty that our customers, employees and shareholders deserve."

SBC Communications Inc. (NYSE: SBC) is a Fortune 50 company whose subsidiaries, operating under the SBC brand, provide a full range of voice, data, networking, e-business, directory publishing and advertising services to businesses, consumers and other telecommunications providers. SBC holds a 60 percent interest in Cingular Wireless, which serves more than 24 million wireless customers. SBC companies provide DSL Internet access lines to more American consumers than any other provider and are among the leading providers of Internet services. SBC companies also now offer satellite TV service. Additional information about SBC and SBC products and services is available at www.sbc.com.

Founded in 1997, Sage Telecom provides local phone service to residential and small business customers in rural and suburban communities outside major metropolitan areas. The company, which has experienced rapid growth since its founding, is currently serving more than 1 million customers.

explosive growth in recent years, is certified to provide local telephone service in eleven traditional S Bell, PacBell and Ameritech states. Providing innovative, lower cost alternatives to consumers and re customer service have been key to the company's success.



Edward E. Whitacre Jr.
Chairman and
Chief Executive Officer

SBC Communications Inc.
175 E. Houston Street
San Antonio, Texas 78205
210-351-3401

April 6, 2004

Chairman Michael K. Powell
Commissioner Kathleen Q. Abernathy
Commissioner Michael J. Copps
Commissioner Kevin J. Martin
Commissioner Jonathan S. Adelstein
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Dear Commissioners:

Thank you for your letter dated March 31, 2004. I support your proposal that the industry engage in commercial negotiations designed to restore certainty and promote genuine competition in the telecommunications market. We are already actively engaged in negotiations with a number of carriers. In fact, we have reached agreement with Sage Telecom, our third largest wholesale customer, on a 7-year commercial contract to provide wholesale local phone services (including a replacement for the regulatorily-mandated UNE-P) throughout SBC's 13-state service territory. We hope to reach similar agreements with our other wholesale customers.

Based on our recent experience negotiating with Sage and others, we do not believe that a judicial stay of the mandate is necessary to facilitate commercial negotiations. To the contrary, as long as the old rules remain in place, and the prospect of further litigation looms, we are concerned that some companies will have little incentive to engage in serious negotiations.

Nevertheless, in deference to your direct request, SBC will agree to a 45 day extension of the stay of the Court's mandate from May 3 to June 17. If any petitions for rehearing are filed, then we will agree to a stay of the mandate until those petitions are denied or until June 17, whichever is later. We also will agree to a comparable extension (to July 15) of the current deadline for filing a petition for writ of certiorari. If any petitions for rehearing are filed, we will further agree to a deadline for certiorari of July 15 or 30 days following denial of rehearing, whichever is later. We will not agree to any further extensions of the deadlines described above.

We are eager to work with you and with our CLEC wholesale customers to reach agreements that will ensure that our Nation continues to have the most vibrant, the most competitive, and the most creative telecommunications market in the world and that offers consumers real telecommunications choices.

Yours sincerely,

A handwritten signature in cursive script that reads "Ed Whitacre". The signature is written in dark ink and is positioned below the typed name "Edward E. Whitacre, Jr.".

Edward E. Whitacre, Jr.

David A. Cole
President-Industry Markets

SBC Telecommunications Inc.
One SBC Plaza, Rm. 3702
Dallas, Texas 75202
214-464-7899



April 20, 2004

Mr. H. Russell Frisby, Jr.
CEO
Comptel/ASCENT
1900 M Street, N.W. Suite 800
Washington, D.C. 20036-3508

Dear Mr. Frisby:

Thank you for your recent letter expressing a desire to enter negotiations for products and services that soon may no longer be required under lawful unbundling rules.

As you probably know, the day after the federal appellate court announced the invalidation of the prior unbundling regime, SBC offered to enter commercial negotiations for a replacement to the invalidated UNE-P. The focus of SBC's commercial negotiations offer has involved replacements for switching in combination with other elements in what has become known as the UNE-P. This is because the availability of the functionality of most, if not all, other invalidated unbundled elements will not be affected by the order. Those functionalities generally have continuously been offered in one form or another for more than 20 years in access tariffs and will continue to remain available for the foreseeable future under those regulated offerings. SBC of course is willing to negotiate volume, term and other discounts within the parameters of the pricing flexibility afforded for its regulated access service offerings.

With respect to the commercial replacement for UNE-P, SBC would be happy to participate in individual negotiations with your members. In that regard, your members can contact their respective SBC account managers about commencing such negotiations. SBC believes individual negotiations are the best means of understanding its customers' unique business plans and interests and formulating proposals to address those plans. In fact, SBC already has reached a successful agreement with its third largest UNE-P customer through such individual negotiations and remains optimistic that it can reach agreements with other customers. Such discussions foster the cooperative exchange of information about how SBC and its wholesale customers can both facilitate development of a relationship that is mutually beneficial.

SBC also has some concerns about whether CLECs that generally compete directly with each other can negotiate a joint contract and determine prices for services with a single ILEC supplier without collusively engaging in impermissible conduct. Such collusion could harm end users if it fixed prices or restrained trade in the retail market or could harm SBC in the wholesale market by for

example saddling SBC with costs that constrain SBC's ability to compete in the wholesale market against some of these very firms that may have competing intermodal platforms, like cable telephony. Accordingly, SBC is reluctant to consider such multi-lateral joint negotiations absent your members obtaining written confirmation from the Department of Justice that such joint competitor purchasing negotiations and agreements would be lawful under the antitrust and competition laws.

SBC appreciates that some firms, especially the smaller firms, may need more negotiating time than the 55 days or so currently provided before the court mandate is expected to issue. To address those concerns, SBC is issuing an industry letter today notifying its local wholesale customers of an opportunity for any such customer to execute an amendment to their current interconnection agreement with SBC prior to the expected issuance of the court mandate in mid-June invalidating the UNE-P. That amendment will allow both parties to fully reserve their legal rights while assuring availability of a UNE-P product through the end of the year that after a prompt payment discount produces a \$22 monthly recurring rate across all of the areas in the 13 states in which SBC operates as an ILEC. This offer assumes reasonable monthly usage and acceptance of a simplified UNE-P performance measurement and remedy plan. This will allow CLECs to continue to use the UNE-P to serve mass-market customers through the end of the year, by which time the terms of a longer serving arrangement can be negotiated. This proposal will be available to any CLEC that returns the signed amendment to SBC on or before June 15, 2004.

If any of your members are interested in obtaining UNE-P certainty through the end of the year irrespective of the pending court and regulatory initiatives, now is the time to act. Please encourage them to contact their SBC account manager to obtain and execute such an amendment.

To the extent that any of your members seek arrangements regarding functions that will remain regulated under Section 251 of the Federal Telecommunications Act or other regulatory requirements, SBC has well-established processes for addressing those requests. Such requests also should be directed to their respective SBC account manager.

Sincerely,



David A. Cole
President-Industry Markets



May 6, 2004

OPEN LETTER TO SBC ILECs' LOCAL WHOLESALE CUSTOMERS

Recent press accounts have mischaracterized efforts by SBC's incumbent local exchange affiliates ("SBC") to reach mutually acceptable agreements for commercial replacements for the unbundled network element platform ("UNE-P"). SBC is providing this reiteration of its position on this issue to set the record straight with our customers. SBC has repeatedly offered to enter into interconnection agreement amendments to afford parties added certainty on UNE-P availability through the end of the year, and private commercial agreements for a UNE-P replacement on a long term basis. This letter seeks to reiterate SBC's willingness to negotiate private commercial agreements based on individual customers' needs.

Specifically, SBC remains willing to negotiate private commercial agreements across the entire spectrum of its wholesale relationships with its CLEC customers—including short-term relationships for products facilitating transition from UNE-based business models to facilities-based business models, as well as longer term relationships that would include commercial replacements for the UNE-P, and any relationship in between. SBC will negotiate rates, terms, and conditions for wholesale relationships commensurate with the specific products, duration and volumes requested by our wholesale customers. As in any commercial negotiation, customers willing to make greater commitments to use SBC products and network facilities (including through the use of a UNE-P replacement and the use of unbundled loops provided on commercially reasonable terms) can expect to receive greater commitments from SBC. SBC nevertheless also will negotiate commercial arrangements with firms that desire to maintain the maximum amount of flexibility for their future business plans, including where those customers plan to deploy their own facilities or use the facilities of the many other alternate providers that exist in the marketplace.

You can also be assured that SBC is also fully committed to preserving the confidences of our wholesale customers, and, subject to existing regulatory requirements, to preserving the confidentiality of their business plans as reflected in their negotiation proposals and any final agreements. While SBC believes that candid negotiations in a confidential setting offer the greatest prospect of open discussions that can lead to compromise solutions rather than regulatory positioning, SBC is willing to engage in negotiations without confidentiality protections if CLECs so desire. Of course, for those CLECs with no interest in commercial negotiations, SBC will continue to abide by its legal obligation to negotiate in good faith for the provision of those UNEs lawfully

required under section 251 of the Act under the same processes we have been following for the past 8 years.

When SBC presents an initial offer to a CLEC customer at the outset of a negotiation, that offer reflects SBC's understanding of the customer's business needs and plans as well as our own. These offers do not include "ultimatums" and are not "take-it-or-leave-it" offers. On the contrary, to the extent SBC's offer does not meet the needs of our CLEC customers, we hope and expect that offer will trigger candid, good faith negotiations in which both parties attempt to find common ground. SBC is fully committed to the commercial negotiation process, and we encourage our CLEC customers to contact us if they are interested in entering into such good faith commercial negotiations.

In the final analysis, while we would like you to use SBC's products and network facilities, we understand that you have options in meeting your own business needs. We are committed to working in a constructive manner to attempt to create an arrangement that allows you to use our network whether for a short-term or long-term duration in a manner that makes business sense for both of our companies.

Attachment B
Alexander-Sparks Joint Declaration

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Unbundled Access to Network Elements)	WC Docket No. 04-313
)	
Review of the Section 251 Unbundling)	CC Docket No. 01-338
Obligations of Incumbent Local Exchange)	
Carriers)	

**JOINT DECLARATION OF SCOTT J. ALEXANDER AND REBECCA L. SPARKS
ON BEHALF OF SBC COMMUNICATIONS INC.**

The undersigned, being of lawful age and duly sworn, do hereby state as follows:

Qualifications

Scott J. Alexander

1. My name is Scott J. Alexander. I am currently employed by SBC as Director - Regulatory Planning & Policy. My responsibilities include supporting the wholesale products, processes, and related policies for competing local exchange carriers ("CLECs") in the various SBC regions. I work with managers responsible for the products and support functions required to meet SBC's obligations under the Telecommunications Act of 1996 (the "Act") and various related FCC and state requirements. In addition, I represent SBC operating companies with regard to wholesale regulatory and policy issues before regulatory bodies and in other forums. I have previously presented testimony before this Commission in the Section 271 proceedings for the SBC Midwest states (Michigan, Illinois, Indiana, Ohio, and Wisconsin).

2. Prior to assuming my current position in October 2003, I held similar responsibilities as Director- Wholesale Marketing for SBC Midwest (formerly known as “Ameritech”). Prior to the SBC/Ameritech merger in 1999, I was Senior Product Manager for Ameritech’s wholesale collocation, structure access, and Bona Fide Request offerings. My prior work assignments include management positions in Network Engineering (where I served as overall process manager for the development of unbundled loop product offerings) and Wholesale Product Management. I have worked with issues related to interconnection, collocation and network unbundling for more than 9 years. Overall, I have approximately 20 years of experience in telecommunications with Indiana Bell, SBC Midwest and SBC. I earned a Bachelor of Science in Engineering (BSEE) from Purdue University (1983) and a Master of Business Administration (MBA) from Northern Illinois University (2003).
3. I presented testimony on behalf of the SBC incumbent LECs regarding dedicated transport and high-capacity loops in several states that conducted proceedings to implement the Commission’s August 2003 *Triennial Review Order* (“TRO”): namely, California, Indiana, Michigan, Ohio, and Wisconsin. The *TRO* established certain analyses to assess “impairment” with respect to dedicated transport and high-capacity loops, and attempted to delegate the task of gathering evidence and applying the impairment analyses to the state commissions. As a witness in the state proceedings, I was responsible for assembling, reviewing and analyzing data on facilities deployment that was received from competing providers in discovery, from independent third parties, from SBC’s own business records, and from public sources such as carrier websites.